

**SAVOY MEDICAL MANAGEMENT GROUP, INC.**  
MAMOU, LOUISIANA

**(A COMPONENT UNIT OF THE  
TOWN OF MAMOU, LOUISIANA)**

**Financial Report**

**Year Ended December 31, 2012**

*Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.*

Release Date OCT 23 2013

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Savoy Medical Management Group, Inc  
Mamou, Louisiana

We have audited the accompanying statements of Savoy Medical Management Group, Inc. (a nonprofit organization), a component unit of the Town of Mamou, consisting of the Savoy Medical Center Operations Fund and the Town of Mamou Building Fund, which comprise the statement of financial position as of December 31, 2012, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Savoy Medical Management Group, Inc as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, on our consideration of Savoy Medical Management Group, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Savoy Medical Management Group, Inc.'s internal control over financial reporting and compliance.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
September 25, 2013

**FINANCIAL STATEMENTS**

**SAVOY MEDICAL MANAGEMENT GROUP, INC.**  
Mamou, Louisiana

**Statement of Financial Position**  
December 31, 2012

	<u>Savoy Medical Center Operations Fund</u>	<u>Town of Mamou Building Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,020,715	\$ 2,092	\$ 2,022,807
Patient accounts receivable, net	5,385,126	-	5,385,126
Other receivables	68,068	-	68,068
Inventory	901,746	-	901,746
Prepaid expenses	<u>77,613</u>	<u>1,342</u>	<u>78,955</u>
<b>Total current assets</b>	<b>8,453,268</b>	<b>3,434</b>	<b>8,456,702</b>
<b>Restricted assets.</b>			
<b>Interest bearing deposits:</b>			
Revenue bond depreciation and contingency fund	-	200,964	200,964
Property, plant and equipment, net	2,018,182	4,946,287	6,964,469
Bond issuance cost	-	20,682	20,682
Deposits	1,258	-	1,258
Start-up costs	<u>126,304</u>	<u>-</u>	<u>126,304</u>
<b>Total assets</b>	<b><u>\$ 10,599,012</u></b>	<b><u>\$ 5,171,367</u></b>	<b><u>\$ 15,770,379</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 2,148,388	\$ 1,849	\$ 2,150,237
Accrued expenses	1,687	-	1,687
Accrued salaries	843,657	-	843,657
Payroll taxes and deductions	3,596	-	3,596
Other liabilities	41,325	-	41,325
Current portion of long-term debt	2,799,043	-	2,799,043
Payable from restricted assets			
Revenue bonds payable	<u>-</u>	<u>391,000</u>	<u>391,000</u>
<b>Total current liabilities</b>	<b>5,837,696</b>	<b>392,849</b>	<b>6,230,545</b>
<b>Long-term liabilities</b>			
Long-term debt	<u>284,327</u>	<u>313,570</u>	<u>597,897</u>
<b>Total liabilities</b>	<b>6,122,023</b>	<b>706,419</b>	<b>6,828,442</b>
<b>Net assets:</b>			
Unrestricted	<u>4,476,989</u>	<u>4,464,948</u>	<u>8,941,937</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 10,599,012</u></b>	<b><u>\$ 5,171,367</u></b>	<b><u>\$ 15,770,379</u></b>

The accompanying notes are an integral part of this statement.

**SAVOY MEDICAL MANAGEMENT GROUP, INC.**  
**Mamou, Louisiana**

**Statement of Activities**  
**Year Ended December 31, 2012**

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Totals
<b>Revenue (unrestricted)</b>			
Net patient service revenue	\$ 34,939,498	\$ -	\$ 34,939,498
Rental and other revenue	<u>1,012,096</u>	<u>-</u>	<u>1,012,096</u>
Total revenue	<u>35,951,594</u>	<u>-</u>	<u>35,951,594</u>
<b>Expenses.</b>			
Salaries and wages	13,403,967	-	13,403,967
Employee benefits	2,697,194	-	2,697,194
Professional fees	1,859,842	10,807	1,870,649
Supplies	6,315,234	344	6,315,578
Utilities	1,051,457	-	1,051,457
Contract services	2,094,796	-	2,094,796
Insurance	809,258	27,239	836,497
Rents and leases	1,384,342	-	1,384,342
Repairs and maintenance	696,291	-	696,291
Interest expense	419,894	48,482	468,376
Bond issue costs	-	11,818	11,818
Depreciation	616,416	569,707	1,186,123
Bad debts	<u>5,370,272</u>	<u>-</u>	<u>5,370,272</u>
Total expenses	<u>36,718,963</u>	<u>668,397</u>	<u>37,387,360</u>
Operating loss	<u>(767,369)</u>	<u>(668,397)</u>	<u>(1,435,766)</u>
<b>Nonoperating revenues (expenses)</b>			
Appropriation from Town of Mamou (non-cash transfer)	119,727	860,273	980,000
Appropriation from Town of Mamou (debt payment)	-	450,030	450,030
Interest income	<u>3,204</u>	<u>570</u>	<u>3,774</u>
Total nonoperating revenues (expenses)	<u>122,931</u>	<u>1,310,873</u>	<u>1,433,804</u>
Change in unrestricted net assets	(644,438)	642,476	(1,962)
Net assets, beginning	<u>5,121,427</u>	<u>3,822,472</u>	<u>8,943,899</u>
Net assets, ending	<u>\$ 4,476,989</u>	<u>\$ 4,464,948</u>	<u>\$ 8,941,937</u>

The accompanying notes are an integral part of this statement.

**SAVOY MEDICAL MANAGEMENT GROUP, INC**  
Mamou, Louisiana

**Statement of Cash Flows**  
Year Ended December 31, 2012

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Totals
Cash flows from operating activities			
Operating loss	\$ (767,369)	\$ (668,397)	\$ (1,435,766)
Adjustments to reconcile change expenses to net cash provided (used) by operating activities			
Depreciation and amortization	616,416	569,707	1,186,123
Provision for bad debts	5,370,272	-	5,370,272
Bond issuance cost	-	11,818	11,818
Amortization of deferred loss on bond refunding	-	8,817	8,817
Decrease in accounts receivable	(5,642,394)	-	(5,642,394)
Increase in other receivables	(6,555)	-	(6,555)
Decrease in inventory	214,882	-	214,882
(Increase) decrease in prepaid expenses	35,859	(68)	35,791
Increase (decrease) in accounts payable	596,899	1,849	598,748
Decrease in accrued expenses	(4,124)	-	(4,124)
Decrease in accrued salaries	(257,881)	-	(257,881)
Decrease in payroll taxes and deductions	(978)	-	(978)
Increase in other liabilities	7,105	-	7,105
Net cash provided (used) by operating activities	162,132	(76,274)	85,858
Cash flows provided by investing activities			
Interest earned on interest-bearing deposits	3,204	570	3,774
Purchase of property and equipment	(208,346)	-	(208,346)
Net cash provided (used) by investing activities	(205,142)	570	(204,572)
Cash flows from financing activities			
Appropriation from Town of Mamou	-	472,865	472,865
Principal paid on notes payable	(166,158)	-	(166,158)
Principal paid on capital leases	(51,103)	-	(51,103)
Principal paid on revenue bonds	-	(412,000)	(412,000)
Net cash provided (used) by financing activities	(217,261)	60,865	(156,396)
Net decrease in cash and cash equivalents	(260,271)	(14,839)	(275,110)
Cash and cash equivalents, beginning of year	2,280,986	217,895	2,498,881
Cash and cash equivalents, end of year	\$ 2,020,715	\$ 203,056	\$ 2,223,771
Supplemental disclosures			
Interest paid	\$ 419,894	\$ 48,482	\$ 468,376

The Organization entered into an agreement with the Town of Mamou which released debt (accounts payable and other liabilities) of \$980,000 in exchange for assets with a net book value of \$860,273 being transferred from the Savoy Medical Center Operations Fund to the Town of Mamou Building Fund. The transaction resulted in a non-cash contribution of \$119,727.

The accompanying notes are an integral part of this statement.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Organization and Purpose

The Town of Mamou (Town) is the sole member of Savoy Medical Management Group, Inc. (Organization). The Organization, a component unit of the Town, is a nonprofit corporation organized under the laws of the State of Louisiana for the purpose of managing and operating a quality, cost effective health care facility for patients of the communities located in Evangeline Parish. The Town owns the Savoy Medical Center located in Mamou, Louisiana, which is operated by the Organization.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

D. Patient Accounts Receivable

Patient accounts receivable are stated at net realizable value. The Organization maintains allowance for uncollectible accounts and for estimated losses resulting from a payer's inability to make payments on accounts. The Organization estimates the allowance for uncollectible accounts based on management's assessment of historical and expected net collections considering historical and current business and economic conditions, trends in healthcare coverage, and other collections indicators. Accounts receivable are charged to the allowance for uncollectible accounts when they are deemed uncollectible.

SAVOY MEDICAL MANAGEMENT GROUP, INC  
Mamou, Louisiana

Notes to Financial Statement (Continued)

E Inventory

Inventory, consisting primarily of pharmaceuticals and other medical supplies, are stated at the lower of cost, using an average cost method, or fair value.

F. Property and Equipment

The Organization's capitalization policy is \$5,000 for property and equipment recorded at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. In the absence of donor stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expires over useful lives of the assets. Depreciation is computed using the straight line method over the estimated useful lives of the assets. Typical useful lives are 7 to 40 years for buildings and improvements and 4 to 15 years for equipment and furniture.

G Revenue and Expense Recognition

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per admission or visit, reimbursed costs, discounted charges, and per diem rates. Net patient revenue is recognized at the time the services are provided at the estimated net amount due from patients and third-party payers for services rendered, including estimated adjustments under reimbursement agreements with third-party payers, certain of which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted, as needed, in future periods. The Organization also provides care to self-pay patients. The revenue on services provided to these patients is recognized at the time services are rendered. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

H Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

I Compensated Absences

The Organization allows employees annual leave based on years of service. Annual leave must be taken during the year and is not cumulative. Upon termination of employment, an employee is paid for the value of any accrued leave through the date of employment separation. Although sick leave is accumulated and is available for employees when needed, it is not payable upon termination.

SAVOY MEDICAL MANAGEMENT GROUP, INC  
Mamou, Louisiana

Notes to Financial Statement (Continued)

J Advertising Expense

Advertising costs are expensed as incurred Total advertising expense was \$1,994 for the year ended December 31, 2012

K Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

(2) Patient Accounts Receivable

Patient accounts receivable at December 31, 2012 consist of the following

Patient accounts receivable	\$ 8,332,246
Less: allowance for uncollectible accounts	<u>(2,947,120)</u>
Patient accounts receivable, net	<u>\$ 5,385,126</u>

(3) Restricted Assets

The Town of Mamou Building Fund's restricted assets, required by bond covenants, consisted of the following at December 31, 2012

Revenue bond depreciation and contingency fund	<u>\$ 200,964</u>
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(4) Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2012

	Savoy Medical Center Operations Fund	Town of Mamou Building Fund	Total
Land	\$ -	\$ 430,000	\$ 430,000
Buildings and improvements	1,582,826	18,637,479	20,220,305
Equipment	1,883,425	2,462,768	4,346,193
Furniture	<u>404,915</u>	<u>27,061</u>	<u>431,976</u>
Total property, plant and equipment	3,871,166	21,557,308	25,428,474
Less: Accumulated depreciation	<u>(1,852,984)</u>	<u>(16,611,021)</u>	<u>(18,464,005)</u>
Net property, plant and equipment	<u>\$ 2,018,182</u>	<u>\$ 4,946,287</u>	<u>\$ 6,964,469</u>

Depreciation expense charged to operations amounted to \$616,416 and \$569,707 for the Savoy Medical Center's Operations Fund and the Town of Mamou Building Fund, respectively, for the year ended December 31, 2012

**SAVOY MEDICAL MANAGEMENT GROUP, INC**  
Mamou, Louisiana

Notes to Financial Statement (Continued)

(5) Changes in Long-Term Debt

The following is a summary of long-term debt transaction for the year ended December 31 2012

	Savoy Medical Center Operations Fund		Town of Mamou Building Fund
	Notes Payable	Capital Leases	Revenue Bonds
Long-term debt as of January 1, 2012	\$3,117,620	\$ 183,011	\$ 1,132,000
Additions	-	-	-
Deletions	(166,158)	(51,103)	(412,000)
Long-term debt as of December 31, 2012	\$2,951,462	\$ 131,908	\$ 720,000

Scheduled maturities of long-term debt as of December 31, 2012 is as follows

Year Ending December 31,	Savoy Medical Center Operations Fund				Town of Mamou Building Fund	
	Notes Payable		Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,667,135	\$ 150,071	\$ 131,908	\$ 7,688	\$ 391,000	\$ 20,930
2014	54,555	27,604	-	-	329,000	5,793
2015	60,643	21,516	-	-	-	-
2016	67,409	14,750	-	-	-	-
2017	74,930	7,229	-	-	-	-
2018	26,790	596	-	-	-	-
Total	\$ 2,951,462	\$ 221,766	\$ 131,908	\$ 7,688	\$ 720,000	\$ 26,723

Long-term debt payable at December 31, 2012 is comprised of the following individual issues

Savoy Medical Center Operations Fund

Notes Payable -

\$2,800,000 promissory note payable to Rapides Healthcare dated July 1, 2012, due in monthly installments of \$46,483 through June 1, 2013, with one final payment in the amount of \$2,530,016 due July 1, 2013, interest at 10.0%, payable from excess revenues from the Savoy Medical Center Operations Fund. On July 1, 2013, the maturity of the note payable was extended to July 1, 2014

\$ 2,633,842

(continued)

SAVOY MEDICAL MANAGEMENT GROUP, INC  
Mamou, Louisiana

Notes to Financial Statement (Continued)

Notes Payable (Continued) -

\$317,620 note payable to Centers for Medicare and Medicaid Services, dated April 15, 2010, due in monthly installments of \$6,847 through April 15, 2018, interest at 10.625%; payable from excess revenues of the Savoy Medical Center Operations Fund	<u>317,620</u>
Total notes payable	<u>\$2,951,462</u>

Capital Leases -

\$177,839 capital lease payable to Olympus Surgery Equipment, dated August 25, 2011, due in monthly installments of \$6,624 through August 25, 2014, interest at 6.266%; payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of \$39,520	\$ 131,417
\$3,240 capital lease payable to Infusystem, Inc, dated May 7, 2010, due in monthly installments of \$100 through May 7, 2013, interest at 6.985%, payable from excess revenues of the Savoy Medical Center Operations Fund; secured by equipment with a carrying value of \$240	<u>491</u>
Total capital leases	<u>\$ 131,908</u>

Leased assets under capital leases are included in net property, plant, and equipment in the Statement of Financial Position at December 31, 2012. The leased assets consist of equipment with a cost of \$190,799 and accumulated depreciation of \$151,039 for a net book value of \$39,760. Depreciation of leased assets in the amount of \$80,240 for the year ended December 31, 2012 is included in depreciation expense.

Town of Mamou Building Fund

Revenue Bonds -

\$3,289,000 Revenue Refunding Bonds, Series 2006, due in monthly installments of \$35,000 to \$37,000 through September 1, 2014, interest at 4.2%; payable from appropriations from the Town of Mamou	\$ 720,000
Less: Unamortized loss on refunding	<u>(15,430)</u>
	<u>\$ 704,570</u>

(6) Net Patient Service Revenue

Outpatient services are reimbursed based on fee schedules provided by Medicare/Medicaid and other insurance companies. Billings are adjusted in order to reflect amounts to be reimbursed. Net patient service revenue consisted of the following at December 31, 2012:

Gross patient charges	\$ 130,338,368
Less: Billing adjustments	<u>(95,398,870)</u>
Net patient service revenue	<u>\$ 34,939,498</u>

**SAVOY MEDICAL MANAGEMENT GROUP, INC.**  
**Mamou, Louisiana**

**Notes to Financial Statement (Continued)**

For the year ended December 31, 2012, patient service revenue (including patient copays and deductibles), net of contractual allowances and discounts (but before the provision for uncollectible accounts) by primary payer was as follows:

Medicare	\$ 13,563,501
Medicaid	9,040,372
Other third-party payers	8,234,030
Patients	<u>4,101,595</u>
Total patient service revenue	<u>\$34,939,498</u>

(7) Operating Leases

A Building Lease

Effective January 1, 2010, the Organization entered into a building lease with the Town of Mamou for an initial primary term of 5 years beginning January 2010 with options for four additional terms of five years each. Future minimum lease payments due under the terms of the initial primary term are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 765,000
2014	<u>765,000</u>
	<u>\$1,530,000</u>

Lease expense for the building lease amounted to \$765,000 for the year ended December 31, 2012.

B. Equipment Leases

The Organization entered into various operating leases for copiers commencing from 2008 through 2012 with terms ranging from 36 to 60 months. Future minimum lease payments due under the lease terms are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 49,849
2014	35,124
2015	<u>28,675</u>
	<u>\$ 113,648</u>

Lease expense for the equipment leases amounted to \$51,758 for the year ended December 31, 2012.

**SAVOY MEDICAL MANAGEMENT GROUP, INC**  
**Mamou, Louisiana**

**Notes to Financial Statement (Continued)**

**(8) Functional Expenses**

The Organization provides general healthcare services primarily to residents within its geographic location. For the year ended December 31, 2012, expenses related to providing these services were as follows:

Healthcare services	\$34,353,976
General, administrative, and other	<u>2,364,987</u>
Total functional expenses	<u>\$36,718,963</u>

**(9) Pension Plan**

The Organization has a 401(k) profit sharing plan (a defined contribution plan), established in February, 2010, which covers substantially all employees who are eighteen years of age or older with at least two consecutive months of service. The Plan, as amended, complies with the applicable provisions of the Employee Retirement Income Security Act of 1974. The employer may make matching contributions or profit sharing contributions at their discretion based on board approval. The Organization did not contribute to the Plan for the year ended December 31, 2012.

**(10) Related Party Transactions**

The Organization entered into an agreement with the Town of Mamou which released the Organization of \$980,000 of debt (accounts payable and other liabilities) in exchange for the Organization's rights, title and interest in the land and improvements, in addition to the contents, movable and immovable, of the land, improvements, and all appurtenances of the New Horizons Chemical Dependency/Psychiatric Facility. The assets (book value of \$860,273) were transferred from the Savoy Medical Center Operations Fund to the Town of Mamou Building Fund. This transaction resulted in a non-cash contribution of \$119,727.

The Organization owes the Town of Mamou \$382,500 for building rent and \$41,325 for start-up costs, which are included in accounts payable and other liabilities, respectively. Additionally, the building lease agreement with the Town of Mamou, discussed in Note 7, resulted in lease expense in the amount of \$765,000 during the year ended December 31, 2012.

**(11) Town of Mamou Building Fund**

Prior to January 1, 2012, the operations of the Town of Mamou Building Fund were reported in the Savoy Cancer Center, Inc.'s (Center) financial statements. Effective January 1, 2011, the operations of Center were transferred to the Savoy Medical Center, which is operated by the Organization. As a result, the financial position and the changes in net assets and cash flows of the Town of Mamou Building Fund are reported in the financial statements of the Organization.

SAVOY MEDICAL MANAGEMENT GROUP, INC.  
Mamou, Louisiana

Notes to Financial Statement (Continued)

(12) Concentration of Credit Risk

The Organization maintains cash balances at various financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012, the Organization's uninsured balances amounted to \$1,742,390, which were attributable to the Savoy Medical Center Operations Fund's cash balances.

(13) Risk Management

The Organization is exposed to risks of loss in the areas of general liability, management liability and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

(14) Subsequent Event Review

The Organization's management has evaluated subsequent events through September 25, 2013, the date which the financial statements were available to be issued

**INTERNAL CONTROL  
AND  
COMPLIANCE**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Savoy Medical Management Group, Inc.  
Mamou, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Savoy Medical Management Group, Inc (a nonprofit organization), a component unit of the Town of Mamou, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Savoy Medical Management Group, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Savoy Medical Management Group, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current and prior year audit findings and management's corrective action plan, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 12-3(IC) and 12-4(IC) to be a material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of current and prior year audit findings and management's correction plan as items 12-1(IC) and 12-2(IC) to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Savoy Medical Management Group, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of current year audit findings and corrective action plan as item 12-5(C).

### **Savoy Medical Management Group, Inc.'s Response to Findings**

Savoy Medical Management Group, Inc.'s response to the findings identified in our audit is described in the accompanying summary schedule of current year audit findings and corrective action plan. Savoy Medical Management Group, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
September 25, 2013

SAVOY MEDICAL MANAGEMENT GROUP, INC  
Mamou, Louisiana

Summary Schedule of Current Year Audit Findings  
and Corrective Action Plan  
Year Ended December 31, 2012

Ref No	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
<b>CURRENT YEAR (12/31/12) --</b>						
<b><u>Internal Control</u></b>						
12-1(IC)	2012	The Organization does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes	N/A	The Organization has evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Organization to outsource this task to its independent auditors, and to carefully review the draft financial statements and the related notes prior to approving them and accepting responsibility for their contents and presentation	Patrick Derouen, CEO	N/A
12-2(IC)	2012	Due to the small number of employees involved in accounting operations, the Center did not have adequate segregation of functions within the accounting system. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties	N/A	No response is considered necessary	N/A	N/A
12-3 (IC)	2012	The Organization did not have proper controls in place to ensure bank reconciliations were being performed on all bank accounts	No	Management will establish procedures to ensure bank reconciliations are completed for all bank accounts on a monthly basis	Patrick Derouen, CEO	12/31/2013
12-4 (IC)	2012	The Organization is not properly reconciling material balance sheet accounts to supporting documentation. As a result, numerous material adjusting journal entries were required in order to properly state the financial position of the Organization	No	Management will establish procedures to ensure that all material balance sheet accounts are properly reconciled each month	Patrick Derouen, CEO	12/31/2013

(continued)

SAVOY MEDICAL MANAGEMENT GROUP, INC  
Mamou, Louisiana

Summary Schedule of Current Year Audit Findings  
and Corrective Action Plan (Continued)  
Year Ended December 31, 2012

Ref No	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
CURRENT YEAR (12/31/12) --						
<u>Compliance</u>						
12-5(C)	2012	In accordance with Louisiana Revised Statute 24 513, the Organization must complete and submit an audit of their financial statements within six months of the close of their fiscal year to the Legislative Auditor's office The Organization's audit was not complete until after the deadline imposed by state law	No	The Organization will take appropriate actions to ensure future audits are completed and submitted to the Legislative Auditor's office within six months of the close of their fiscal year	Patrick Derouen, CEO	12/31/2013